GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

FINANCIAL STATEMENTS

December 31, 2020

pwc

Report of Independent Registered Public Accounting Firm

To the Management Committee and Members of Gulfstream Natural Gas System, L.L.C.:

Opinion on the Financial Statements

We have audited the accompanying statements of financial position of Gulfstream Natural Gas System, L.L.C. (the "Company") as of December 31, 2020 and 2019, and the related statements of earnings, comprehensive income, changes in members' equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to those charged with governance and that (i) relate to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. We determined there are no critical audit matters.

PricewaterhouseCoopers LLP

Houston, Texas
February 24, 2021

We have served as the Company's auditor since 2018.

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GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF EARNINGS

Year ended December 31,	**2020**	2019	2018
(millions of United States dollars)			
Operating revenues	**281.7**	280.3	281.7
Operating expenses			
Operating, maintenance and other	**0.9**	3.6	1.0
Operating, maintenance and other - affiliates	**19.8**	20.2	21.0
Depreciation and amortization	**34.8**	35.1	35.3
Property and other taxes	**10.6**	11.4	11.8
Total operating expenses	**66.1**	70.3	69.1
Operating income	**215.6**	210.0	212.6
Other income	**0.6**	0.6	0.8
Interest expense	**(62.0)**	(62.2)	(62.4)
Earnings	**154.2**	148.4	151.0

The accompanying notes are an integral part of these financial statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31,	**2020**	2019	2018
(millions of United States dollars)			
Earnings	**154.2**	148.4	151.0
Other comprehensive loss, net of tax			
Reclassification of cash flow hedges into earnings	**(0.4)**	(0.4)	(0.4)
Comprehensive income	**153.8**	148.0	150.6

The accompanying notes are an integral part of these financial statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Spectra Energy Partners, LP	Williams Partners Operating, L.L.C.	Total Members' Equity
(millions of United States dollars)			
Balance at December 31, 2017	242.5	242.5	485.0
Earnings	75.5	75.5	151.0
Reclassification of cash flow hedges into earnings	(0.2)	(0.2)	(0.4)
Distributions to members	(93.4)	(93.4)	(186.8)
Balance at December 31, 2018	224.4	224.4	448.8
Earnings	74.2	74.2	148.4
Reclassification of cash flow hedges into earnings	(0.2)	(0.2)	(0.4)
Distributions to members	(85.7)	(85.7)	(171.4)
Contribution from members	3.5	3.5	7.0
Attributed deferred tax expense	(0.1)	(0.1)	(0.2)
Balance at December 31, 2019	216.1	216.1	432.2
Earnings	**77.1**	**77.1**	**154.2**
Reclassification of cash flow hedges into earnings	**(0.2)**	**(0.2)**	**(0.4)**
Distributions to members	**(93.2)**	**(93.2)**	**(186.4)**
Contribution from members	**3.0**	**3.0**	**6.0**
Balance at December 31, 2020	**202.8**	**202.8**	**405.6**

The accompanying notes are an integral part of these financial statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF CASH FLOWS

Year ended December 31,	**2020**	2019	2018
(millions of United States dollars)			
Operating activities			
Earnings	**154.2**	148.4	151.0
Adjustments to reconcile earnings to net cash provided by operating activities:			
Depreciation and amortization	**34.8**	35.1	35.3
Changes in operating assets and liabilities	**(0.8)**	(2.6)	(2.9)
Net cash provided by operating activities	**188.2**	180.9	183.4
Investing activities			
Capital expenditures	**(6.5)**	(12.1)	(6.6)
Net cash used in investing activities	**(6.5)**	(12.1)	(6.6)
Financing activities			
Distributions to members	**(186.4)**	(171.4)	(186.8)
Contribution from members	**6.0**	7.0	—
Net cash used in financing activities	**(180.4)**	(164.4)	(186.8)
Net change in cash	**1.3**	4.4	(10.0)
Cash and cash equivalents at beginning of year	**8.4**	4.0	14.0
Cash and cash equivalents at end of year	**9.7**	8.4	4.0
Supplementary cash flow information			
Cash paid for interest, net of amount capitalized	**61.8**	61.8	61.8

The accompanying notes are an integral part of these financial statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF FINANCIAL POSITION

	December 31, 2020	December 31, 2019
(millions of United States dollars)		
Assets		
Current assets		
Cash and cash equivalents	**9.7**	8.4
Receivables - trade	**23.7**	23.6
Receivables - affiliates	**0.3**	—
Inventory	**8.9**	8.4
Other	**0.7**	0.3
Other - affiliates	**2.6**	1.9
	45.9	42.6
Property, plant and equipment, net *(Note 5)*	**1,513.6**	1,541.2
Regulatory assets *(Note 4)*	**10.3**	10.4
Total assets	**1,569.8**	1,594.2
Liabilities and members' equity		
Current liabilities		
Accounts payable - trade	**0.5**	0.1
Accounts payable - affiliates	**1.3**	1.5
Taxes accrued	**1.7**	1.7
Interest accrued	**14.2**	14.2
Regulatory liabilities *(Note 4)*	**2.7**	1.5
Other	**0.1**	0.1
	20.5	19.1
Long-term debt *(Note 6)*	**1,143.7**	1,142.9
	1,164.2	1,162.0
Commitments and contingencies *(Note 8)*		
Members' equity		
Members' equity	**403.6**	429.8
Accumulated other comprehensive income	**2.0**	2.4
	405.6	432.2
Total liabilities and members' equity	**1,569.8**	1,594.2

The accompanying notes are an integral part of these financial statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Gulfstream Natural Gas System, L.L.C. (collectively, “we”, “our”, “us” and “Company”) owns an interstate natural gas pipeline system and is owned 50% by Spectra Energy Partners, LP (Spectra Energy Partners) and 50% by Williams Partners Operating, L.L.C. (Williams Partners). We are operated under joint management by Spectra Energy, LLC. (Spectra Energy), which provides the business functions, and The Williams Companies, Inc. (Williams), which provides the technical functions. We transport natural gas that we receive from various onshore and offshore supply sources in the Mississippi and Alabama area, across the Gulf of Mexico, and deliver that natural gas to markets in central and southern Florida. Our interstate natural gas transmission operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC). We were formed on May 17, 1999 as a Delaware limited liability company.

BASIS OF PRESENTATION

These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). The financial statements reflect the results of operations, financial position and cash flows of our company. The financial statements do not include any of the assets, liabilities, revenues or expenses of the members. Amounts are stated in United States (US) dollars unless otherwise noted.

USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Estimates and assumptions used in the preparation of the financial statements include, but are not limited to: carrying values of regulatory assets and liabilities (Note 4); expected credit losses; depreciation rates and carrying value of property, plant and equipment (Note 5); amortization rates of intangible assets (Note 5); and commitments and contingencies (Note 8). Actual results could differ from these estimates.

FAIR VALUE MEASUREMENTS

We measure the fair value of financial assets and liabilities by maximizing the use of observable inputs and minimizing the use of unobservable inputs. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

COST-BASED REGULATION

The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers or recording liabilities for amounts that are expected to be returned to customers, or for instances where the regulator provides current rates that are intended to recover costs that are expected to be incurred in the future. Accordingly, we record assets and liabilities that result from the regulated ratemaking process that may not be recorded under US GAAP for non-regulated entities. We continually assess whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes and recent rate orders to other regulated entities. Based on this assessment, we believe our existing regulatory assets are probable of recovery. These regulatory assets are classified in the Statements of Financial Position as Regulatory assets. We evaluate our regulated assets and consider factors such as regulatory changes and the effect of competition. If cost-based regulation ends or competition increases, we may have to reduce our asset balances to reflect a market basis less than cost and write off the associated regulatory assets and liabilities. See *Note 4- Regulatory Matters* for further discussion.

REVENUE RECOGNITION

Revenues from the transportation of natural gas are recognized when the service has been performed, the amount of revenue can be reliably measured and collectibility is reasonably assured. Revenues related to these services provided but not yet billed are estimated each month. These estimates are generally based on contract data, regulatory information and preliminary throughput and allocation measurements. Final bills for the current month are billed and collected in the following month. Differences between actual and estimated revenues are immaterial.

Customers accounting for 10% or more of revenues during 2020, 2019 and 2018 are as follows:

	% of Revenues		
Customer	**2020**	2019	2018
Nextera Energy, Inc.	**51 %**	51 %	51 %
Duke Energy Florida, Inc.	**35 %**	35 %	35 %

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction (AFUDC) is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component, which are both capitalized based on rates set out in a regulatory agreement. The corresponding impact on earnings is included in Interest expense for the interest component and Other income for the equity component. There was no material AFUDC recognized for 2020, 2019 and 2018.

INCOME TAXES

We are not subject to federal income taxes, but rather our taxable income or loss is reported on the income tax returns of our members. We are subject to cost-based regulation and consequently record a regulatory tax asset in connection with the tax gross up of AFUDC equity. The corresponding deferred tax liability is recognized as an Attributed deferred tax expense in the Statements of Members' Equity since we are a pass-through entity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term investments with a term to maturity of three months or less when purchased.

INVENTORY

Inventory consists mainly of natural gas retained from shippers for fuel and also includes materials and supplies. Natural gas is recorded at the lower of cost or market value. Materials and supplies are recorded at cost, using the average cost method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes, administrative and general costs, as well as the cost of funds used during construction. The costs of renewals and betterments that extend the useful life or increase the expected output of property, plant and equipment are also capitalized. The costs of repairs, replacements and major maintenance projects that do not extend the useful life or increase the expected output of property, plant and equipment are expensed as incurred. Depreciation is generally computed over the asset’s estimated useful life using the straight-line method.

When we retire property, plant and equipment, we charge the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When we sell entire regulated operating units, or retire or sell certain non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by FERC.

PRELIMINARY PROJECT COSTS

Project development costs, including expenditures for preliminary surveys, plans, investigations, environmental studies, regulatory applications and other costs incurred for the purpose of determining the feasibility of capital expansion projects, are capitalized when it is determined that recovery of such costs through regulated revenues of the completed project is probable.

LONG-LIVED ASSET IMPAIRMENTS

We review the carrying values of our long-lived assets as events or changes in circumstances warrant. If it is determined that the carrying value of an asset exceeds the undiscounted cash flows expected from the asset, we calculate fair value based on the discounted cash flows and write the assets down to the extent that the carrying value exceeds the fair value.

We assess the fair value of long-lived assets using commonly accepted techniques and may use more than one source. Sources to determine fair value include, but are not limited to, recent third-party comparable sales, internally developed discounted cash flow analyses and analyses from outside advisors. Significant changes in market conditions resulting from events such as changes in natural gas available to our systems, the condition of an asset, a change in our intent to utilize the asset or a significant change in contracted revenues or regulatory recoveries would generally require us to reassess the cash flows related to the long-lived assets.

TRANSACTION COSTS

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. We incur transaction costs primarily from the issuance of debt and account for these costs as a deduction from Long-term debt on the Statements of Financial Position. These costs are amortized using the effective interest rate method over the term of the related debt instrument and are recorded in Interest expense. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistently with the regulatory treatment of those items, where appropriate.

CURRENT EXPECTED CREDIT LOSSES

For accounts receivable, a loss allowance matrix is utilized to measure lifetime expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations. Other loan receivables and applicable off-balance sheet commitments utilize a discounted cash flow methodology which calculates the current expected credit losses based on historical default probability rates associated with the credit rating of the counterparty and the related term of the loan or commitment, adjusted for forward-looking information and management expectations.

ADOPTION OF NEW ACCOUNTING STANDARDS

Clarifying Interaction between Collaborative Arrangements and Revenue from Contracts with Customers

Effective January 1, 2020, we adopted ASU 2018-18 on a retrospective basis. The new standard was issued in November 2018 to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, Accounting Standards Codification (ASC) 606. In determining whether transactions in collaborative arrangements should be accounted for under the revenue standard, the update specifies that entities shall apply unit of account guidance to identify distinct goods or services and whether such goods and services are separately identifiable from other promises in the contract. ASU 2018-18 also precludes entities from presenting transactions with a collaborative partner which are not in scope of the new revenue standard together with revenue from contracts with customers. The adoption of this ASU did not have a material impact on our financial statements.

Disclosure Effectiveness

Effective January 1, 2020, we adopted ASU 2018-13 on both a retrospective and prospective basis depending on the change. The new standard was issued to improve the disclosure requirements for fair value measurements by eliminating and modifying some disclosures requirements, while also adding new disclosure requirements. The adoption of this ASU did not have a material impact on our financial statements.

Accounting for Credit Losses

Effective January 1, 2020, we adopted ASU 2016-13 on a modified retrospective basis.

The new standard was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The previous accounting treatment used the incurred loss methodology for recognizing credit losses that delayed the recognition until it was probable a loss had been incurred. The accounting update adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes results in more timely recognition of such losses.

Further, ASU 2018-19 was issued in November 2018 to clarify that operating lease receivables should be accounted for under the new leases standard, ASC 842, and are not within the scope of ASC 326, Financial Instruments - Credit Losses.

The adoption of this ASU did not have a material impact on the Statements of Earnings, Comprehensive Income or Cash Flows during the period.

Recognition of Leases
ASU 2016-02 was issued in February 2016 with the intent to increase transparency and comparability among organizations. It requires lessees of operating lease arrangements to recognize lease assets and lease liabilities on the balance sheet and disclose additional key information about lease agreements. The accounting update also replaces the current definition of a lease and requires that an arrangement be recognized as a lease when a customer has the right to obtain substantially all of the economic benefits from the use of an asset, as well as the right to direct the use of the asset. The new standard was early adopted by us and became effective on January 1, 2020 and in adopting ASC 842, we applied the transition practical expedients offered in connection with this update. Application of the package of practical expedients permits entities not to reassess a) whether any expired or existing contracts contain leases in accordance with the new guidance, b) lease classifications and c) whether initial direct costs capitalized under ASC 840 continue to meet the definition of initial direct costs under the new guidance. Under the new lease guidance, we have also elected, by class of underlying asset, to not separate non-lease components from the associated lease components of its lessee contracts and account for both components as a single lease component.

ASU 2018-01 was issued in January 2018 to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements as they relate to land easements. The amendments provide an optional transition practical expedient to not evaluate existing or expired land easements that were not previously accounted for as leases under existing guidance. We have elected this practical expedient in connection with the adoption of the new lease requirements.

In July 2018, ASU 2018-11 was issued to address additional stakeholder concerns regarding the unanticipated costs and complexities associated with the modified retrospective transition method, as well as the requirement for lessors to separate components of a contract. Under the new guidance, entities are provided with an additional transition method which allows entities to apply the new standard at the date of adoption and to elect not to recast comparative periods presented. This amendment also provides a practical expedient which allows lessors to combine associated lease and nonlease components within a contract when certain conditions are met. We elected both of these practical expedients in the adoption of the new lease standard.

The adoption of this ASU did not have a material impact on our financial statements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue
All significant operating revenues for the year ended December 31, 2020 were earned from contracts with customers for the transportation of natural gas.

Contract Balances

(millions of US dollars)	Contracts Receivable
Balance at December 31, 2020	**23.7**
Balance at December 31, 2019	23.6

Contract receivables represent the amount of receivables derived from contracts with customers. There were no contract assets or liabilities as at December 31, 2020 or December 31, 2019.

Revenue from Unfulfilled Performance Obligations
Total revenue from performance obligations expected to fulfilled in future periods is approximately $3.7 billion. The following table presents our revenue to be recognized from performance obligations expected to be fulfilled for the years indicated:

	2021	2022	2023	2024	2025	Thereafter
(millions of US dollars)						
Transportation of Natural Gas	276.1	277.1	297.4	298.2	291.7	2,217.6

Excluded from these amounts are variable considerations, effects of escalation on certain contracts that have a duration of one year or less pursuant to the practical expedient provision of the standard, and interruptible contracts not enforceable until volumes are nominated by customers for transportation.

Long-Term Transportation Agreements
Transportation revenue earned from firm contracted capacity arrangements is recognized ratably over the contract period. Transportation revenue from interruptible or volumetric-based arrangements is recognized when services are performed.

Performance Obligations Satisfied Over Time
For arrangements where transportation services are transferred, we recognize revenue over time using the output method. Outputs are determined based on the volumes of commodities delivered or transported and correspond directly to the benefits received by the customer during that period. All operating revenues earned by us for the years ended December 31, 2020, 2019 and 2018 were from services transferred over time.

Determination of Transaction Prices
Prices for transportation services are determined based on the capital cost of the facilities, pipelines and associated infrastructure required to provide such services, plus a rate of return on invested capital that is determined either through negotiations with customers or through regulatory processes for those operations that are subject to rate regulation.

Payment Terms
Payments are received monthly from customers under long-term transportation contracts.

3. TRANSACTIONS WITH AFFILIATES

Gulfstream Management & Operating Services, L.L.C. (GMOS), owned 50% by Spectra Energy Partners and 50% by Williams Partners, provides management, construction and operating services pursuant to agreements entered into with us and with affiliates of Spectra Energy and Williams. GMOS bills us for services rendered including labor and benefit costs, employee expenses, overhead costs and in some cases, third-party costs. Such amounts are reflected in the Statements of Earnings as Operating, maintenance and other — affiliates or in the Statements of Financial Position as Receivables - affiliates; Current assets - Other; Property, plant and equipment, net and Accounts payable - affiliates as appropriate.

Transactions billed from affiliates, included within Property, plant and equipment, net in the Statements of Financial Position were $2.0 million in 2020 and $1.9 million in 2019.

4. REGULATORY MATTERS

We record assets and liabilities that result from the regulated ratemaking process that would not be recorded under US GAAP for non-regulated entities. See *Note 1- Business Overview and Significant Accounting Policies* for further discussion.

December 31,	**2020**	2019
(millions of US dollars)		
Regulatory Assets		
Regulatory asset related to income taxes[1,2]	**10.3**	10.4
Total Regulatory Assets	**10.3**	10.4
Regulatory Liabilities[3]		
Fuel tracker	**2.7**	1.5
Total Regulatory Liabilities	**2.7**	1.5

1 Relates to tax gross-up of AFUDC equity portion and is included in Regulatory assets.
2 Amortized over the life of the related property, plant and equipment.
3 All regulatory liabilities are excluded from rate base.

Rate-Related Information
We continue to operate under rates approved by the FERC in 2007.

5. PROPERTY, PLANT AND EQUIPMENT

December 31,	Weighted Average Depreciation Rate	**2020**	**2019**
(millions of US dollars)			
Plant			
Natural gas transmission	1.67 %	**1,846.4**	1,846.4
Rights of way	1.67 %	**117.7**	117.7
Land	—	**16.3**	16.3
Construction in process	—	**13.0**	5.8
Other	4.67 %	**43.8**	43.8
Total property, plant and equipment		**2,037.2**	2,030.0
Total accumulated depreciation and amortization		**(523.6)**	(488.8)
Property, plant and equipment, net		**1,513.6**	1,541.2

All of our property, plant and equipment is regulated with estimated useful lives based on depreciation rates approved by the FERC. Composite weighted-average depreciation rates, excluding non-depreciable assets, were 1.7% for 2020, 2019, and 2018. Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was $32.8 million, $33.2 million and $33.4 million, respectively.

Amortization expense of intangible assets for the years ended December 31, 2020, 2019 and 2018 was $2.0 million, $1.9 million and $1.9 million, respectively. Amortization expense for 2021 is estimated to be $2.0 million, in 2022 and 2023 is estimated to be $1.9 million, in 2024 is estimated to be $1.7 million and in 2025 is estimated to be $1.1 million.

6. DEBT

December 31,	Maturity	**2020**	2019
(millions of US dollars)			
Unsecured note payable, 4.60%	2025	**550.0**	550.0
Unsecured note payable, 6.19%	2025	**350.0**	350.0
Unsecured note payable, 5.95%	2045	**250.0**	250.0
Unamortized debt discount		**(1.0)**	(1.1)
Unamortized debt issuance costs		**(5.3)**	(6.0)
Total long-term debt		**1,143.7**	1,142.9

As of December 31, 2020, we were in compliance with all debt covenants.

7. CREDIT RISK

Our principal customers for natural gas transportation services are utilities located throughout the state of Florida. We have concentrations of receivables from this sector throughout the region. These concentrations of customers may affect our overall credit risk in that risk factors can negatively affect the credit quality of the entire sector. Where exposed to credit risk, we analyze the customers' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis. We also obtain parental guarantees, cash deposits or letters of credit from customers to provide credit support, where appropriate, based on our financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each contract.

8. COMMITMENTS AND CONTINGENCIES

General Insurance
We maintain, either independently, or through inclusion in the corporate insurance programs maintained by our respective owners in proportion to their respective interest in our company, insurance coverage in types and amounts, and with terms and conditions, that are generally consistent with coverage considered customary for our industry.

Environmental
We are subject to various federal, state and local laws and regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These laws and regulations can change from time to time, imposing new obligations on us.

Like others in the energy industry, we and our affiliates may be responsible for environmental remediation at various contaminated sites. These include some properties that are part of our ongoing operations, sites formerly owned or used by us, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, we or our affiliates could potentially be held responsible for contamination caused by other parties. In some instances, we may share liability associated with contamination with other potentially responsible parties, and may also benefit from contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliated operations.

Litigation and Legal Proceedings

We are involved in various legal and regulatory actions and proceedings which arise in the normal course of business, including interventions in regulatory proceedings and challenges to regulatory approvals and permits. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on our financial position or results of operations.

Legal costs related to the defense of loss contingencies are expensed as incurred. We had no material reserves for legal matters recorded at either December 31, 2020 or 2019, related to litigation.

9. SUBSEQUENT EVENTS

We have evaluated significant events and transactions that occurred from January 1, 2021 through February 24, 2021, the date the financial statements were issued, and no subsequent events requiring disclosure were noted.